UNITED NATIONS

General Assembly

FIFTIETH SESSION

Official Records

FIFTH COMMITTEE
27th meeting
held on
Tuesday, 14 November 1995
at 3 p.m.
New York

SUMMARY RECORD OF THE 27th MEETING

Chairman: Mr. AMARI (Tunisia)
(Vice-Chairman)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

CONTENTS

AGENDA ITEM 113: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS (continued)

AGENDA ITEM 117: IMPROVING THE FINANCIAL SITUATION OF THE UNITED NATIONS (continued)

OTHER MATTERS

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Distr. GENERAL
A/C.5/50/SR.27
29 November 1995

ORIGINAL: ENGLISH

95-82260 (E)

In the absence of Mr. Vilchez Asher (Nicaragua), Mr. Amari (Tunisia), Vice-Chairman, took the Chair.

The meeting was called to order at 3.15 p.m.

AGENDA ITEM 113: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS (continued) (A/49/943, A/50/5/Add.4, A/50/5/Add.5, A/50/327, A/50/560 and A/50/704)

1. Mr. GJESDAL (Norway) said that his delegation welcomed the assurance given by the Chairman of the Board of Auditors that the Board would continue to strengthen the hand of the Fifth Committee in achieving maximum economy in United Nations operations and in checking and reporting on any wasteful expenditures. The mandate of the Board of Auditors was vitally important, particularly at a time when the United Nations had been subject to criticism for alleged waste and inefficiency.

2. His delegation believed that the Board was doing a first-rate job, but follow-up to the Board's findings by the bodies that had been audited had left much to be desired. The time had come to strengthen the attention given by the General Assembly to compliance with the recommendations of the Board of Auditors. In that connection, he welcomed the practical arrangements established with the Office of Internal Oversight Services for the sharing of information on work plans.

3. The Board of Auditors had managed to operate on a shoestring budget and its audit fees were extremely low when compared to the overall budget of the United Nations. His delegation shared the view of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) that the Board should be provided with adequate resources to carry out its assigned tasks.

4. He reminded the Committee that the Board would in future be required to present annual reports on peace-keeping operations; that would result in additional audit fees over and above the current amount of $8.2 million. His delegation had always favoured more frequent reports of the Board on peace-keeping operations and therefore endorsed the necessary increase in audit fees to facilitate the new arrangements.

5. The preliminary report by the Board on the liquidation of the United Nations Transitional Authority in Cambodia (UNTAC) (A/49/943) was an important document in that it revealed serious shortcomings in the system of asset management. Comprehensive prior planning for the liquidation of assets was urgently needed. The Board had made a number of recommendations which would be essential for the future disposition of the assets of other peace-keeping operations.

6. The Board had also presented a report on the voluntary funds administered by the United Nations High Commissioner for Refugees (UNHCR) (A/50/5/Add.5). There was a high degree of public support for international humanitarian assistance in Norway and significant voluntary contributions had been made. Public support should never be taken for granted, however. His delegation considered it extremely important that it should be able to assure its public

that funds channelled to the humanitarian operations of the United Nations had been well spent.

7. Such considerations applied more generally to broadening the UNHCR resource base and ensuring an adequate response to the Secretary-General's humanitarian appeals. Ultimately, public confidence in the way funds were handled was a prerequisite for the operations of all the voluntarily funded organizations and programmes of the United Nations. The function of the Board of Auditors was most significant in checking whether funds had been put to good use.

8. The Board's report on the voluntary funds administered by UNHCR had listed over 100 findings regarding problems of a more persistent nature. However, in reviewing the action taken by UNHCR to follow up the Board's recommendations of the previous year, the Board had discovered that only two out of a dozen recommendations had been fully implemented to date. The issue of follow-up needed to be addressed urgently by the Secretariat on a continuing basis.

9. The Fifth Committee should concentrate on ensuring that adequate programming, management and control systems were in place and on ironing out persistent irregularities. He reminded the Committee that, at the previous month's session of the Executive Committee of UNHCR, the Nordic countries had specifically called for an improved audit control system to enhance transparency with regard to the performance of implementing partners.

10. His delegation appreciated the fact that UNHCR had frequently been asked to react quickly in extraordinary circumstances. There had not always been time to ensure that important actions conformed to existing rules and regulations, financial or otherwise. His delegation did not, however, draw the same conclusion as the Advisory Committee, which seemed to suggest that, if current rules were unenforceable, then proposals to amend them should be formulated.

11. The Committee's approach to the operations of UNHCR should be characterized by an understanding that internal control was a managerial responsibility and could not be left exclusively to the Organization's oversight services. Internal control should rather be seen as an integral part of day-to-day activity. A supportive attitude of senior management towards internal control was therefore required as a foundation for all the other components of internal control. Such an approach would make a significant contribution to the culture of accountability currently being fostered in the United Nations Secretariat.

12. Mr. DECOTIIS (United States of America) said that his delegation strongly favoured close scrutiny by the Board of Auditors of peace-keeping operations, which absorbed the majority of United Nations resources, and it appreciated the Board's work on horizontal reviews; the previous year's focus on procurement operations had been especially timely.

13. The persistent lack of compliance with the Board's recommendations was troubling, and the Board and the Advisory Committee should address that matter in concert with the Office of Internal Oversight Services. Programme managers should be held accountable for implementation of the Board's recommendations, and failure to comply should result in sanctions.

14. He welcomed the development of a good working relationship between the Board and the Office of Internal Oversight Services, which should lead to improved oversight. While his delegation agreed that the term of office of Board members should be extended from three to six years, it believed that six-year terms should be phased in through the electoral process, beginning with the next scheduled election.

15. He welcomed the Board's unqualified opinions of the financial statements of the United Nations Institute for Training and Research (UNITAR) and of the voluntary funds administered by the United Nations High Commissioner for Refugees (UNHCR). He was, however, concerned by the comment that UNITAR had not observed procurement regulations; full compliance was essential.

16. The Board's review of UNHCR noted persistent deficiencies relating to dealings with implementing partners, particularly, as noted by the Advisory Committee, in the area of programme management by field offices. As the United Nations system moved to decentralize in order to become more cost-effective, it was all the more urgent to ensure that appropriate monitoring and control systems were in place and that accountability was enforced. Good management became even more critical as UNHCR strove to cope with an increase in emergency situations. Each dollar must be properly accounted for and used with maximum effectiveness. UNHCR must establish a consistent policy with regard to the overhead costs of its implementing partners. Procurement practices and personnel matters, especially the hiring of consultants, also required prompt attention.

17. Ms. BIBEAU (Canada), speaking also on behalf of Australia and New Zealand, said that the Board had painted a disturbing picture of the way in which the United Nations Transitional Authority in Cambodia (UNTAC) had been managed at the financial and administrative level. In particular, there were serious discrepancies in respect of inventories, large amounts of assets were missing, possibly as a result of fraud or negligence, and the receipt of assets transferred to other missions had not been acknowledged. She hoped that the new electronic coding system introduced by the Secretariat would improve control of assets; that could also be enhanced by the use of inventory software. In addition, physical controls must be implemented. She expected a major improvement in that regard in future reports of the Board.

18. She noted the unqualified audit opinions given by the external auditors on UNHCR and UNITAR. It was, however, unsettling to note the serious weaknesses in UNHCR programme management, in particular with regard to the monitoring of operational activities. A system for collecting, recording and analysing information was essential if UNHCR was to monitor programme and project implementation by its operational partners. Other matters of concern were that operational partners had frequently failed to draw up work plans, making it difficult to implement projects and programmes properly; there had been delays in signing agreements with operational partners, resulting in a lack of information about obligations and financial commitments; and the ambiguity of some agreements with operational partners had led to additional claims. Programme planning must be tightened, and UNHCR must be more selective in choosing its operational partners, the number of which should be limited through rationalization. Some operational partners had withdrawn funds without

authorization and had improperly retained some $590,800 in interest. The three delegations intended to inquire as to their identity and the measures taken by UNHCR to obtain compensation.

19. While the workload of UNHCR had experienced exponential growth in recent years, the auditors' findings related to elementary management practices. Programme management by UNHCR must be improved.

20. The auditors had found serious weaknesses in the procurement and inventory systems of UNHCR and UNITAR, deficiencies which were present throughout the system. She strongly hoped that the new system of accountability and responsibility would eliminate such irregularities.

21. Notwithstanding requests by the General Assembly to United Nations organizations and programmes to report on measures taken in response to the Board's recommendations, there had been no response from UNITAR or from the Secretariat in respect of UNTAC. Those reports should be submitted at the current session. The findings and recommendations of the Board were very important and must be addressed without delay.

22. The common accounting standards of the United Nations system provided a framework for the preparation and presentation of accounts which was consistent with accounting principles and reflected the specific needs of the United Nations system. They were also intended to encourage organizations to harmonize the presentation of financial statements. She noted that UNHCR had not complied with those standards in several areas; that situation must be speedily rectified.

23. In accordance with those standards, income from voluntary contributions was accounted for on an accrual basis. In view of the financial cash crisis it would be helpful if supplementary information on the cash situation was included in all cases where contributions were accounted for on an accrual basis. Further, the item "Total funds available" in statement II of the report on UNHCR (A/50/5/Add.5) and in the annex to that statement should be revised, since it was misleading to indicate that the sums were fully disposable when part of them consisted of contributions which had not yet been received and were therefore not available.

24. The three delegations supported the proposed lengthening of the term of office of members of the Board of Auditors from three to six years, and hoped that a decision to that effect would be adopted at the current session. They also supported the Board's intention to conduct horizontal reviews of budget formulation and budget performance reporting and of programme planning and programme performance reporting, and to continue its review of procurement.

25. Oversight mechanisms played an essential role, especially in the serious financial crisis facing the Organization. Structural changes, new procedures and the scarcity of financial resources, which affected, inter alia, training, increased the risk of errors. It was more necessary than ever for internal and external controls to be in place so that irregularities could be detected and adjustments and corrections could be made in good time.

26. Mr. TOYA (Japan) said that his delegation agreed with the Board of Auditors that its recommendations should be implemented speedily, and that the relevant rules and procedures should be amended to that end, if required. He welcomed the relationship established between the Board and the Office of Internal Oversight Services. The view that internal and external audit should be kept separate, and that internal audit should be part of the overall internal control system whereas external audit should be a means of providing information to the General Assembly, was an interesting one.

27. His delegation supported the proposed increase in the budget for the Board of Auditors in view of the increasingly important role of external audit. It also supported the extension of the term of office of Board members. His delegation also welcomed the proposals that the Board should conduct horizontal reviews of budget formulation and budget performance reporting and of programme planning and programme performance reporting, and that it should continue its review of procurement.

28. On the individual audit reports, his delegation agreed with the Board that UNITAR should adhere strictly to the Financial Regulations and Rules on procurement in ordering goods and services (A/50/5/Add.4, para. 15). It noted the Board's findings with regard to the voluntary funds administered by UNHCR concerning duplication of activities, irregularities in the appointment of consultants, and a case of fraud. It also welcomed the willingness of UNHCR to take remedial measures and noted the comment by UNHCR that the selection of implementing partners was limited in remote locations, and that there was pressure to recruit staff and consultants rapidly. He trusted that UNHCR would make every effort to ensure that there was no duplication of activities and that it would correct the deficiencies regarding the recruitment of consultants. If, because of the need for UNHCR to respond quickly, the current rules and regulations were not enforceable, amendments should be proposed to the Advisory Committee.

29. The audit of the liquidation of UNTAC contained very disturbing findings relating to the loss of assets and discrepancies amounting to several million dollars in connection with the transfer of assets. The failure to manage property adequately seemed to be the source of the problem, and corrective action must be taken. A number of peace-keeping missions were scheduled to end or significantly reduce their operations in the near future, and it was essential to profit from the lessons of UNTAC and engage in prior planning for the disposition of their assets. His delegation agreed with the Board regarding the threat which an uncertain cash inflow posed for the ability of UNTAC to discharge its liabilities, and urged all Member States to fulfil their financial obligations as soon as possible.

30. Mr. UMARDIN (Malaysia) said that the report of the Board of Auditors was an essential mechanism in assessing the effective use of the Organization's funds and in highlighting deficiencies. His delegation was disturbed by the perennial identification of irregularities and negligence at Headquarters and in mission areas.

31. It was regrettable that UNITAR had awarded contracts without the approval of the Committee on Contracts, and he agreed with the Board that major

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procurements should be contracted out by open international tender. In that connection, UNHCR should provide maximum publicity for bulk purchase of commodities, and bidding should be the rule rather than the exception. There should be proper planning in procurement to minimize the number of urgent requests which bypassed bidding procedures, and piecemeal procurement should be avoided where possible. It was regrettable that UNHCR did not have a system of vendor performance evaluation. The recommendations of the High-level Group of Experts on Procurement should be adopted.

32. There had been widespread failure by UNHCR to exercise adequate control over its implementing partners. Agreements with implementing partners should clearly establish their duties and responsibilities with regard to each project, in the interests of improved financial control.

33. The findings on the liquidation of UNTAC gave cause for deep concern. Discrepancies and losses amounting to several million dollars had been detected. His delegation agreed that staff members dealing with financial matters should be given adequate training, but found it difficult to understand the failure to follow simple basic procedures regarding the transfer of assets.

34. Despite the fact that UNTAC had ceased operations two years earlier, the liquidation exercise was not yet complete and troop-contributing countries, including Malaysia, had yet to be reimbursed for contingent-owned equipment. His delegation supported the Board's intention to carry out a final audit on the liquidation of UNTAC within three months after the completion of the liquidation process, and appealed to Member States in arrears to settle their dues.

35. Lastly, he shared the Advisory Committee's concern regarding persistent irregularities and the need for the prompt implementation of the Board's recommendations.

36. Mr. GOLDNICK (Venezuela) regretted that, yet again, the reports by the Board of Auditors and the Advisory Committee had revealed a number of violations of proper administrative procedure in the work of the Organization. Two major areas of concern were those relating to the appointment of consultants and procurement methods. With regard to the latter, his delegation supported the recommendation of the Board of Auditors (A/50/5/Add.5, para. 9 (g)) that all major user offices should be involved in the preparation of annual purchasing plans, since they could provide useful data for the advance planning of purchases and greater savings would thereby be achieved.

37. His delegation hoped that every effort would be made to resolve the irregularities identified by the Board of Auditors, particularly with regard to UNHCR, in accordance with the Board's insistence that international accounting rules applicable to all organizations engaged in commercial activities of any kind should be observed and that efforts should be made to ensure a system of personal accountability in line with the requirements of the United Nations.

38. Mr. FAGUNDES (Brazil) said that, while his delegation welcomed the greater transparency and cost-effectiveness in the financial statements of UNITAR, it regretted its failure to follow proper procurement procedures in awarding contracts. Since procurement practices were a major source of concern for

Member States, his delegation believed that a system should be followed in which all tenders were widely advertised and summaries of contracts were circulated among all Member States in a timely manner.

39. With regard to UNHCR, his delegation fully endorsed the recommendations of the Advisory Committee and believed that urgent action should be taken to overcome persistent shortcomings in the financial statements provided by the Office of the High Commissioner. More care should be taken in the planning and selection of implementing partners in order to avoid duplication and waste of resources.

40. Noting the increasing demands made upon UNHCR, he stressed the need to rectify all irregularities and deficiencies in conformity with the principle of cost-effectiveness and compliance with the Financial Regulations and Rules. Such problems should not, however, be allowed to overshadow the significance of the valuable humanitarian work of UNHCR around the world and, in view of the increasing problem of refugees, efforts should be made to strengthen the capacity of UNHCR to respond to all contingencies.

41. Mr. SOMIAH (Chairman of the United Nations Board of Auditors) fully endorsed the views of members that optimum use must be made of the resources available to the various United Nations agencies, through the improvement and streamlining of their procedures.

42. In response to comments and questions by members of the Committee, he agreed that redoubled efforts must be made by the administrations concerned to prevent any recurrence of the omissions and irregularities identified in the Board's report on UNHCR. The Board would identify any persisting irregularities in its future reports and would work in close cooperation with the Advisory Committee to enable it to follow up such cases.

43. He acknowledged the substantive analysis of the Board's report on UNHCR provided by the representatives of Canada, Norway and the Russian Federation, and, in response to the question by the Russian Federation relating to the terms "fraud" and "presumptive fraud", he drew attention to paragraph 3 of document A/AC.243/1994/L.9, in which the Working Group established pursuant to resolution 48/218 had suggested that remedial efforts were also required in cases of waste, abuse, property loss or misleading financial information. Responsibility for the prevention and detection of fraud rested with the management of UNHCR and an effective role in that area could be played by the Office of Internal Oversight Services.

44. Further consideration would be given by the Board to the need - to which the representative of Canada, on behalf also of Australia and New Zealand, had drawn attention - for greater transparency in the financial statements, with particular reference to cash positions.

45. Noting the wide interest shown by members in the Board's findings and recommendations relating to UNHCR for the year 1994, he agreed with the representatives of Brazil, Japan and Spain (on behalf of the European Union) that the deficiencies could be partly attributable to the recent rapid growth of the Organization. As had been pointed out by the representative of Colombia,

however, they also reflected the inadequacy of strategic planning in the Organization and necessitated urgent corrective measures. In that context, he said that the administration of UNHCR had started work on a strategic planning framework, to be implemented in two phases, and that measures were being taken to ensure the accountability of implementing partners, when new agreements with the field officers were entered into.

46. In response to a question put by the representative of Ukraine, he said that the unit which had acknowledged only 36 items against UNHCR headquarters records of 99 items was the Field Office in Namibia. In that connection, he drew the Committee's attention to paragraphs 34 and 35 of document A/50/704, in which the Secretary-General reported on the action taken by the Administration on the recommendations of the Board. In addition, the Administration had assured the Board that the specific instances to which the external auditors had drawn attention would be investigated and resolved. The Board proposed to verify the position in subsequent audits.

47. With regard to the format of financial statements, he had taken note of the observation by the representative of the Russian Federation that it would be useful to give the names of the countries constituting certain areas and regions included in schedule 6 to the accounts.

48. He expressed appreciation for the support shown for the Board's recommendations on UNITAR by the representatives of Brazil, Malaysia and Venezuela, and assured the Committee that the Board would endeavour to ensure that UNITAR followed correct procurement procedures in the future.

49. He welcomed the widespread support extended by the Committee to the Board's findings and recommendations concerning the liquidation of UNTAC. The Board shared the Committee's concern about the absence of established liquidation procedures and the lack of a sound system of asset tracking in UNTAC, and trusted that the management would take appropriate action to remedy the failings identified in the Board's report (A/49/943). The Board also shared the view expressed by a number of speakers that the liquidation of a peace-keeping mission must be carried out with great diligence and in accordance with meticulous planning and a precise timetable. The Board also agreed with the Advisory Committee that the development of a software package would minimize shortcomings and supported its recommendation that the necessary expertise for the liquidation of the assets of peace-keeping missions should be established within the Secretariat. A further - and, he hoped, the final - review of the liquidation of UNTAC would be conducted during the Board's spring 1996 audit and its findings would be included in the Board's report on peace-keeping operations for the biennium ending on 31 December 1995.

50. He thanked the representative of Norway for his comments concerning the very modest budget on which the Board operated and assured the Committee that the Board would, in consultation with the Advisory Committee, examine its resource needs very carefully to ensure that it was able to carry out its mandate. He also expressed his gratitude to the representatives of Canada, Japan and the United States for supporting the Board's proposal that the term of office of its members should be extended from three to six years so that they could have a significant impact on the working practices of the United Nations.

51. Finally, he drew attention to the statement by the Secretary-General in his report on the work of the Organization (A/50/1, para. 22), that no reform effort could succeed without addressing the basic issue of providing the Organization with a more adequate and reliable financial base. The Secretary-General's views were fully shared by the Board. He assured the Committee that the Board would take its views into account and endeavour to play a very constructive role in achieving a more reliable and effective financial management for the Organization.

AGENDA ITEM 117: IMPROVING THE FINANCIAL SITUATION OF THE UNITED NATIONS (continued) (A/48/460 and Corr.1, A/48/565 and Corr.1; A/50/484, A/50/502, A/50/666 and Add.1 and Corr.1; A/C.5/50/4).

52. Ms. MILLS (Director, Financial Management Office) referred to the question asked at the previous meeting by the representative of Algeria, who, in connection with the information on payments by Member States to the regular budget contained in annex II to the Secretary-General's report (A/50/666), had wondered whether any recognition was given to the efforts made by some Member States, including his own, to make advance payments even before 1 January 1995. In response, she said that annex II did not provide such information but that it could be obtained from the various monthly documents on the status of assessments. For instance, document ST/ADM/SER.B/463, issued on 1 February 1995, stated, in footnote (c) to annex II, that Algeria and seven other Member States had made payments in 1994 or held credits which had been applied towards their assessed contributions for 1995.

OTHER MATTERS

53. Mr. HALLIDAY (Assistant Secretary-General for Human Resources Management), responding to an earlier question about smoking at United Nations Headquarters, said that, pursuant to resolutions adopted by the World Health Assembly and the Economic and Social Council, measures had been put in place to eliminate the dangers of passive smoking as far as the physical constraints of the Headquarters premises would allow. Those measures had been outlined in administrative instruction ST/AI/407. In order to accommodate the needs of staff and delegations, certain areas of the Headquarters buildings that could not be physically isolated had nevertheless been designated smoking areas. The measures therefore fell short of the ban on smoking called for by the World Health Organization (WHO).

54. Ms. INCERA (Costa Rica) said that the Economic and Social Council resolution on the subject had merely encouraged organizations in the United Nations system to follow the example of WHO, and that WHO did not have the authority to impose an outright ban. Her delegation did not oppose the merits of the policy itself but objected to the fact that the new measures had been unilaterally imposed without consultations.

55. Ms. BUERGO (Cuba) asked by what authority the Secretariat had imposed the smoking ban. Her delegation would also appreciate further information on precisely when the General Assembly intended to discuss anti-smoking measures.

56. Ms. INCERA (Costa Rica) requested the removal of "No smoking" signs in the sections of the building used by delegations until the General Assembly reached a final decision on the matter.

57. Mr. HANSON (Canada) commended the Secretariat on the measures it had taken to deal with passive smoking. It was his delegation's position that smoking was a personal matter so long as it did not affect others in the vicinity.

58. Mr. HALLIDAY (Assistant Secretary-General for Human Resources Management) said that the Secretariat believed it had acted properly in implementing the measures called for by WHO and the Economic and Social Council, and he apologized to any delegations which felt that they had not been fully consulted. At the same time, the Secretariat had wished to remain sensitive to the privileges of delegations. He did not intend to police the measures zealously, but hoped that smokers themselves would show due courtesy to non-smokers.

59. Ms. INCERA (Costa Rica), supported by Ms. BUERGO (Cuba), said that the issue was one of procedure rather than health, and until the procedural aspect had been sorted out all measures of compulsion should be repealed.

60. The CHAIRMAN, speaking in his personal capacity as a smoker, said he believed that the Secretariat had acted with the best intentions. He trusted that nobody would force him to stop smoking, but nevertheless hoped that smokers would show due consideration for their non-smoking colleagues.

The meeting rose at 5.05 p.m.